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NEW ENGLAND GAS AND COKE.

CHEAP gas triumphed in the legislature. Promoters' promises overturned the established policy of Massachusetts. A corporation of unlimited capital was granted a roving commission to inaugurate competition in the gas business and supply consumers in every city and town of the commonwealth. This result was reached in a charter for the Massachusetts Pipe Line Co.¹ passed by the legislature of that state in May, 1896. A petition by an eminent financier² for authority to furnish the public with cheap coke and gas had been followed by a number of hearings before a legislative committee, and much eulogy on the proposed benefits to the consumers by the newspapers. Gas experts had been introduced before the committee to prove that by a patented process gas could be manufactured and sold at a fraction of current rates. For illuminating gas of standard quality, prices as low as 60 cents per one thousand feet to consumers were freely mentioned, with much lower figures for gas that was to serve as fuel. The proposition seemed to be that the promoters would establish large plants at Boston and other points to produce gas by their improved process, and that long pipe lines would be laid from these plants to many cities and towns. Coke production was represented as the main object of the enterprise, and the gas as a residual of only trifling cost. Before these brilliant representations legislative policies and precedents went down. Contrary to the laws regulating all other gas enterprises in the state, the Pipe Line Co. was to be limited in capital only by its resources, in territory only by the boundaries of the commonwealth, and in its competition with existing plants only by the will of its management.

Notwithstanding the alluring prices that had been mentioned before the committee and in the newspapers, the charter was strangely silent on this important point. True, the Pipe Line Co. might not increase the price of gas to consumers in a place where it had bought the previously existing system, and might not charge such a system more than 35 cents per one thousand cubic feet for gas. But, on the other hand, the Pipe Line Co. was put under no obligation to purchase any existing system or to sell it any gas, though it might freely enter the

¹ House No. 1333.

² Mr. Henry M. Whitney.

territory of any such system and make whatever prices it chose to consumers there. This Pipe Line charter was thus a weapon which might be used to depreciate the investment of every gas system in the state, with no assurance that the public would receive any permanent benefit in prices.

Having triumphed in the legislature, success seemed certain for the promoters of cheap gas and coke, but there was one force with which they had failed to reckon. In the background stood the uncompromising figure of the governor. His Excellency Roger Wolcott in an able message dated June 2, 1896, pointed out that the public must eventually pay the costs of competition by public-service corporations, and vetoed the Pipe Line charter.

But the ammunition that had been expended on the legislature by the petitioners for this charter was not to be entirely wasted. The friends of the scheme took council of the veto message and of public opinion, and reported another bill. This second charter was hurried through the legislature, presented to the governor, and received his approval June 9, 1896, just one week after the veto message, and became chap. 537 of that year. Like the former charter, the latter provides that pipe lines for gas may be laid to and in any part of the the state. Instead of the unlimited capital authorized by the former bill, the latter fixes the maximum amount at \$5,000,000. In place of the free competition desired by the promoters, the Pipe Line Co. may supply gas to consumers in no place until it has purchased the local system, which its owners are under no obligation to sell. Having bought existing plants for such sums as their owners may choose to name, the Pipe Line Co. may in no case charge consumers more than 60 cents per thousand cubic feet for any sort of gas, within eight miles of the statehouse at Boston, or more than \$0.75, \$0.90, or \$1.25 per thousand cubic feet in places outside of this limit, according to population in each. If the Pipe Line Co. can induce the other gas companies to purchase its gas, it may charge not more than 20 cents within five miles, twenty-five cents between five and fifteen miles, and 30 cents beyond fifteen miles, per thousand cubic feet for gas of not less than 580 British heat units per cubic foot on an average, delivered at the holders of the respective companies. For gas of the standard candle power required by law the Pipe Line charter authorizes an addition of 5 cents to each of the above rates to gas companies.

As a weapon for active competition this Pipe Line charter is evidently harmless. As a means of actual consolidation for the Boston

or any other gas companies the charter is worthless, because the prices at which it permits gas to be sold to consumers are far below those charged by the companies already in the field. But, as a device to extract money from the pockets of ignorant investors the charter of the Pipe Line Gas Co. may be worth millions.

Under Massachusetts law the Pipe Line Co., like every other corporation engaged in the manufacture and sale of gas, is authorized to issue stock or bonds only after approval of the gas commissioners and for value actually received. Moreover, the manufacturing and financial operations of every gas company must be fully reported to these commissioners. Limitations and publicity of this sort were evidently not suited to the plans of the promoters who obtained the Pipe Line charter. The first purpose of the corporation named in this charter is the manufacture of gas, but it does not appear that it has ever manufactured any. The Pipe Line Co. is also authorized to purchase and sell gas, and this it has done in large amounts. In other words, the Pipe Line Co. has simply provided a conduit to convey gas from a source beyond the control of the gas commissioners to the holders of the distributing companies.

In order to carry out the plans of the promoters who secured the Pipe Line charter, it was necessary to issue a large volume of securities at figures far beyond the market value of any property which they might represent. To sell these securities it was also necessary that the manufacture of gas and coke, on which their presumptive earning capacity was based, should be carried on in secret. Because of the legal barriers mentioned, neither of these objects could be carried out directly by the Massachusetts Pipe Line Gas Co. A corporation might have been formed in some state where stocks and bonds may be issued without payment in either money or other property, and this corporation might have purchased the Pipe Line stock from the promoters. Unfortunately for this plan, it would, under Massachusetts law, render the charter of the Pipe Line Co. subject to forfeiture.¹ Moreover, every corporation engaged in the manufacture and sale of gas in Massachusetts must make a full report of this business to the gas commissioners. Time was required in which to find a way out of these difficulties. The Massachusetts Pipe Line Gas Co. accepted its charter and organized with a capital of 10,000 shares of the par value of \$100 each on July 15, 1896, but did no other business in that year. Some fourteen months later, the New England Gas and Coke Co. was

¹ Chap. 476, Acts of 1894.

formed by a declaration of trust dated September 30, 1897. This company is not a corporation, but simply an association of eleven trustees holding and managing property under conditions set out in the declaration of trust. The creation of such a trust is a common law right and requires no legislative charter, while, on the other hand, it escapes the operation of laws that apply only to corporations. By the terms of the declaration the trust is to continue for fifty years, or for twenty-nine years if all of the original trustees die within less than twenty-nine years from the date of the trust declaration, unless sooner terminated by the shareholders. The trust may be altered or terminated at any time by holders of two thirds of the shares, at a proper meeting. All of the trust property is divided into or represented by 200,000 shares of \$50 each, par value, a total capitalization of \$10,000,000. On the death or removal of any one of the trustees, his successor is to be chosen by the remaining trustees or by the court. At the termination of the trust the property is to be sold or divided among the shareholders. Each shareholder in this trust at its origin had issued to him certificates of his shares, and these certificates may be transferred to other persons, whose names are then to be recorded on the books of the trustees. The declaration provides that the acceptance of a transfer of shares shall act as notice to the acceptor of the terms of the trust. No shareholder has a right to call for a division of the trust property, and on the death of any shareholder his representative has no right of accounting, but is simply entitled to a new certificate of stock which carries with it the rights of the deceased under the trust.

The declaration provides that the trustees shall employ the property conveyed to them in manufacturing and dealing in coal, oil, coke, or gas, any business similar thereto and electric business of all kinds. All profits of the business are to be divided among the shareholders according to the number of shares held by each. The trustees are authorized to borrow money, give notes or other obligations, and mortgage the trust property to secure the payment of such obligations. The declaration of trust clearly provides that no act of the trustees done in its execution shall bind either the shareholders or the trustees personally, and any injured party shall have recourse only to the trust estate. Every note, bond, and contract is required to give notice of these limitations on the powers of the trustees.

Clearly this clever declaration of trust secures to the shareholders under it all the substantial advantages of a corporate charter of the

most liberal sort, and at the same time escapes the burden of all laws aimed exclusively at corporations. This trust made it possible to use the Pipe Line charter as a part of the basis for an issue of inflated securities without incurring the penalty of its forfeiture. Also, as the sequel proved, the trustees acquired the power to conduct the business of gas and coke production behind closed doors, and to defy the demands of the gas commissioners for an account of their doings. All things were now ready for a gigantic issue of securities based largely on prospective earnings in the Boston gas field.

On the twenty-sixth day of November, 1897, the New York Gas Improvement Co. and the Central Trust Co. of New York, both being corporations chartered by that state, entered into an agreement whereby the Trust Co. was to loan the Improvement Co. \$12,000,000 on the note of the latter company, dated December 1, 1897, and payable on the first day of August, 1898, with interest at 5 per cent. per annum. As commission on this loan the Trust Co. was to receive stock of the New England Gas and Coke Co. to the amount of \$2,400,000, par value. When the loan of \$12,000,000 was made, the Improvement Co. was to receive bonds of the Gas and Coke Co. to the amount of \$12,000,000, par value, and stock of the same company to the amount of \$4,800,000, par value, or 40 per cent. of the value of the bonds. It is stated in this agreement that the stock in question is part of \$17,500,000, the total issue of the Gas and Coke Co., so it must be concluded that the original deed of trust was changed from the figure of \$10,000,000 in stock, first named. These bonds of the Gas and Coke Co. are dated December 1, 1897, mature December 1, 1937, and bear interest at 5 per cent. per annum, payable semi-annually. To secure these bonds, all of the securities and personal property to be purchased by the Gas and Coke Co. and all the real estate then owned or to be purchased by that company were to be transferred and pledged to the Central Trust Co.

The securities and property pledged to the Central Trust Co. under this agreement are as follows: Brookline Gas Light Co., shares 18,500, par value, \$1,850,000; certificates of indebtedness of Brookline Gas Light Co., par value, \$1,615,000; Dorchester Gas Light Co., shares, 5,176, par value \$517,600; Jamaica Plain Gas Light Co., shares, 1,382, par value, \$138,200; Boston United Gas bonds, first series, bearing 5 per cent. interest and payable January 1, 1939, to the par value of \$1,000,000; all right and title of the Gas and Coke Co. to the capital stock of the Massachusetts Pipe Line Gas Co., when-

ever issued, certain real estate in Everett, near Boston ; a certain contract with the Dominion Coal Co.; licenses from the Otto Coke and Chemical Co. and the United Gas and Coke Co. to use certain patent processes.

The agreement for this loan of \$12,000,000 was not to become effective until a certain other agreement, by persons or corporations satisfactory to the Central Trust Co., to purchase the entire amount of the shares and bonds of the Gas and Coke Co. to be placed in the hands of the Central Trust Co. was delivered to it. The Trust Co. was authorized to sell the shares and bonds of the Gas and Coke Co. to the persons and corporations named in the agreement and to apply the moneys received therefor to the payment of the loan of \$12,000,000 and interest. The Gas and Coke Co. had the right to draw this loan only to acquire the securities and property that were to be mortgaged to the Central Trust Co. and these securities and property were to be thus mortgaged as soon as purchased.

Prior to this agreement for the loan of \$12,000,000 the Gas and Coke Co. and the New York Gas Improvement Co. had entered into a contract in relation thereto, and the latter company seems to have acted simply in the interest of the former. Before this loan of \$12,000,000 was secured the Gas and Coke Co. appears to have had little or no property. With the loan of \$12,000,000, and with its own bonds to the par value of \$2,000,000, the Gas and Coke Co. purchased the securities and property above named as security for the loan, built a plant for the manufacture of coke and gas at Everett, just across the Mystic river from Boston, and paid \$1,000,000 for that amount of stock, par value, of the Pipe Line Co. In the agreement with the Central Trust Co. the total issue of bonds by the Gas and Coke Co. is stated to be \$17,500,000, par value, but it does not appear who got the \$3,500,000 of bonds not delivered to the Trust Co. or used in the purchase of property mortgaged to that company.

Starting, apparently, with no contribution from its shareholders, the Gas and Coke Co. seems to have emitted stock to the par value of \$17,500,000 and bonds to a like sum, a total of \$35,000,000 in securities. With a part of these bonds, to the par value of \$14,000,000, certain securities and property have been purchased and then mortgaged to secure \$12,000,000 of the bonds. To meet the demands of \$17,500,000 in stock and the remaining \$5,500,000 in bonds there seems to be nothing save what may remain of the mortgaged property after the \$12,000,000 of bonds are satisfied.

The stocks of the Brookline, Dorchester, Jamaica Plain, and Pipe

Line Gas companies purchased and mortgaged to the Central Trust Co. by the Gas and Coke Co., have a par value of \$3,505,800, and the debt certificates of the Brookline company and the Boston United Gas bonds raise the total securities, purchased with the loan of \$12,000,000 cash plus \$2,000,000 Gas and Coke bonds, to \$6,120,800, par value. Besides these securities the mortgaged property of the Gas and Coke Co. includes its works at Everett and certain rights and contracts of uncertain value.

The entire capital stock of the Brookline company was 20,000, of the Dorchester company 5,196, and of the Jamaica Plain company 2,500 shares, a total of 27,696 shares. Of this total the purchases of the New England Gas and Coke Co. above noted included 25,058 shares. How much the Gas and Coke Co. paid for the stocks of these three gas companies cannot be stated, but there is good reason to believe that the sum was far beyond their par value in at least the case of the Brookline and Dorchester companies. Most, if not all, of the stock of these two last-named companies was owned by parties who also held in trust the majority of the stocks of the Bay State of Massachusetts, the Boston, South Boston, and Roxbury Gas Light companies. About this time the Gas and Coke Co. published the statement that the purchase of the Brookline and Dorchester companies carried with it the control of the four other gas companies just named. This could only mean that the promoters of the Gas and Coke Co. were to be permitted to manage the Bay State, Boston, South Boston, and Roxbury companies in consideration of a high price paid for the stocks of the Brookline and Dorchester companies. Under this plan the Gas and Coke Co. secured control of the entire gas supply of Boston save in the minor parts of East Boston and Charlestown. This control was necessary to the Gas and Coke Co. for two reasons—first, to induce investors to purchase its securities, and, second, to insure the sale of its gas to the Boston companies.

In the published statement of the Gas and Coke Co., above noted, the following estimate was made of its prospective earnings per year:

Net profits Boston gas companies	-	-	-	-	\$	460,000
Profit on coke and residuals	-	-	-	-	-	248,500
Sales of 2,500,000,000 feet of gas @ 20 cents	-	-	-	-	-	500,000
Saving on 900,000,000 feet of gas distributed by Brookline and Dorchester companies @ 10 cents	-	-	-	-	-	90,000
						<hr/>
					\$	1,298,500
Interest on the \$14,000,000 of bonds sold, @ 5%	-	-	-	-	-	700,000
						<hr/>
Good to the stock	-	-	-	-	-	\$ 598,500

In spite of this estimate, prepared for the edification of prospective investors, it is perfectly safe to say that the yearly earnings of \$598,500, or any other material sum above the expenses of operation and interest on its bonds by the Gas and Coke Co., was never even remotely probable. As to the item of \$90,000: during the year ending June 30, 1899, the first for which the figures are available, the Brookline company made 703,572,000 cubic feet of gas at the cost of 30.5 cents per thousand feet in its holder. During the following year the Pipe Line Co. sold the Brookline company 366,411,000 feet of gas at 30 cents per thousand. If the Dorchester company could save 10 cents per thousand feet on its annual production of 179,384,400 feet of gas the \$90,000 dwindles to \$17,938.44. The works of the Gas and Coke Co., in the year ending June 30, 1901, the latest for which figures are available, sold to the Pipe Line Co. less than two billion feet of gas, for which \$270,614 was paid, instead of the estimated sum of \$500,000. It may be possible that the sum received for coke and residuals should exceed the entire cost of gas and coke production by \$248,500 yearly, but from the scanty data at hand it seems far more probable that the value of coke and residuals will not be greater than operating expenses. If this be true, the item of \$248,500 disappears.

Some light is thrown on this point by the operations of the prosperous coal gas company at Cambridge, the largest in the state. During the year ending June 30, 1901, this company made 343,693,000 cubic feet of coal gas and received for its coke and other residuals only 33 per cent. of the cost of operation at its works alone. In view of this record, can it be seriously contended that the Gas and Coke Co., with its Otto-Hoffman process, will do more than pay all expenses of operation by the sale of residuals? The remaining item in the above estimate of earnings is \$460,000 from the Boston gas companies. Before considering this item it should be well in mind that only the Jamaica Plain, Dorchester, and Brookline companies were owned by the Gas and Coke Co., so that the profits of these three companies were all that could pass into the treasury of the Gas and Coke Co. True, the promoters of the Gas and Coke Co. had purchased the privilege to manage the Boston, South Boston, Bay State, and Roxbury Gas companies, by an exorbitant price paid for the Brookline and Dorchester companies, but all profits of these four managed companies must go to their bondholders and stockholders. The power of the Gas and Coke management in the Boston, South Boston, Bay State, and Roxbury companies probably extended no farther than to avoid competition and

This net profit to the Gas and Coke Co. is based on no allowance whatever for depreciation in the three gas systems owned by it. Adding to items found above \$50,000 for the yearly interest on the \$1,000,000 of Boston United Gas bonds at 5 per cent. the possible net earnings of the Gas and Coke Co. per year appear to be as follows, including the Pipe Line profits :

From three gas companies owned	-	-	-	-	-	-	\$385,680.63
From \$1,000,000 bonds	-	-	-	-	-	-	50,000.00
From sales of gas, year 1901	-	-	-	-	-	-	270,714.65
Saving on Dorchester gas	-	-	-	-	-	-	1,793.84
Net earnings of Pipe Line Co. less interest paid, year of June 30,							
1901	-	-	-	-	-	-	36,544.58
							<hr/> \$744,633.70

This estimate is a little less than 60 per cent. of the \$1,298,500 stated to be the probable yearly profits of the Gas and Coke Co. by its promoters. There is good reason to think, however, that the figure of \$744,633.70 is too liberal. From this sum must be deducted the yearly interest on the \$14,000,000 of bonds, amounting to \$700,000, leaving \$44,633.70 to be applied to the remaining \$3,500,000 in bonds or the \$17,500,000 stock.

Moreover, all this does not involve one cent of the much-heralded saving to consumers. On October 13, 1897, a long editorial in the Boston *Herald* entitled "Coal, Coke, and Gas," contained much commendation of the plans of the Gas and Coke Co., among which was said: "Gas companies now charging from \$1 to \$1.50 a thousand cubic feet of gas might object to a plan which set the price of what could be used as a substitute as low as fifty cents a thousand cubic feet." A few days later the Boston *Daily Advertiser* in a long article, headed in part with "What the New England Coke and Gas Company's Plans Mean for this Community," said :

Mr. Lawson does not consider the charter worth much, because it authorizes the company to sell gas to individual consumers at a price of not more than 60 cents per thousand feet, while fuel gas must be sold at not more than 30 cents, and illuminating gas at not more than 25 cents to gas companies within five miles of Boston, increasing at the rate of 5 cents per thousand feet for each, until the maximum of 30 and 35 cents is reached at places beyond fifteen miles. Mr. Lawson laughs at the idea of actually manufacturing gas at those figures. Yet Mr. Whitney proposes to furnish all that is wanted at these rates and make a handsome profit doing so.

Under date of December 23, 1897, a published statement entitled

"The Boston Gas Situation," appeared over the name of Henry M. Whitney, and said in part: "We believe that, when our plans are completed and our works in operation, every gas-user in Boston and vicinity, every holder of present gas securities, and everyone who has a part in our undertaking will be pleased with the result." It is perhaps sufficient comment on these statements to say that the price of gas in Boston is \$1 per thousand feet now, just as it was in 1897, save that the price in Jamaica Plain has been reduced from \$1.40 to \$1.20 per thousand feet.

Having found a market for its securities, the New England Gas and Coke Co. was in a position to make use of its tool, the Pipe Line Co. A contract was executed between these two companies by which the former was to supply the latter with gas for fifty years. Under date of December 3, 1896, contracts were entered into between the Gas and Coke Co., the Pipe Line Co. and the Boston, Brookline, South Boston, Dorchester, Roxbury, Bay State, and Jamaica Plain gas companies by which these seven last-named companies were bound to purchase all of their gas from the Gas and Coke Co. for the next fifty years, in so far as the last-named company was able to supply it. The price named in each of these contracts to be paid by the seven distributing companies to the Pipe Line Co. is 20 cents per thousand cubic feet of gas having twelve candle-power. As a matter of fact the gas supplied by the Pipe Line Co. to the distributing companies has been about eighteen candle-power. The three companies owned by the Gas and Coke Co. have paid 30 cents per thousand feet for this gas, though the charter of the Pipe Line Co. authorizes it to sell gas at not more than 25 cents per thousand feet to gas companies. The four distributing companies nominally controlled, but not owned, by the Gas and Coke Co. have paid 25 cents per thousand feet for this eighteen candle-power gas, and one at least, the Boston, has refused to pay more.

In December, 1899, the works of the Gas and Coke Co. at Everett began to supply gas. The Pipe Line Co. purchased some of the land owned by the Gas and Coke Co., and a gas holder and purifying house have been erected thereon. Pipe lines have been laid from this Everett holder to the holders of the several Boston gas companies. The Pipe Line Co. enriches the gas bought from the Gas and Coke Co. and then sends it to the holders of the other companies. Pipes of the Pipe Line Co. have been laid in the downtown section of Boston and in the Brighton, Charlestown, Dorchester and Jamaica Plain districts of the city, also in the cities of Everett, Somerville, Cambridge, the

towns of Brookline and probably Chelsea, Dedham, and Hyde Park. These pipe lines are all of large size for the transmission of gas, but not for distribution to individual consumers. On June 30, 1901, the Pipe Line Co. had laid mains of the following sizes and lengths:

Diameter, inches								Length, feet
6	-	-	-	-	-	-	-	3,068
8	-	-	-	-	-	-	-	1,920
10	-	-	-	-	-	-	-	21,630
24	-	-	-	-	-	-	-	6,266
30	-	-	-	-	-	-	-	8,594
36	-	-	-	-	-	-	-	61,155
42	-	-	-	-	-	-	-	12,507
48	-	-	-	-	-	-	-	642
54	-	-	-	-	-	-	-	941
Total length,								116,723

In the report of the Pipe Line Co. on the date just named the value of its street mains is put at \$1,261,449.03, and its total assets at \$2,132,664.77. As stated in the same report, the liabilities of this company were \$2,101,493.64, of which \$1,000,000 was capital stock and \$1,085,000 notes, the remainder being open accounts. This \$1,000,000 in stock was voted on July 15, 1896, and was subsequently issued and paid for out of the loan of \$12,000,000 made by the Central Trust Co. to the Gas and Coke Co. All this was done without the approval of the gas commission, as required by law. In 1898 the matter was presented to the gas commission, and the issue was then approved.

The Pipe Line Co. began to supply gas to the several distributing companies on the following dates:

Jamaica Plain	-	-	December 3, 1899
Brookline	-	-	December 5, 1899
Boston	-	-	January 13, 1900
Charlestown	-	-	May 16, 1900
Dorchester	-	-	July 3, 1900
Dedham	-	-	September 4, 1900
Chelsea	-	-	July 13, 1901

Figures are available for the quantities of gas supplied by the Pipe Line Co. during the fiscal years ending on June 30 of 1900 and 1901, respectively. For the former year the income of the Pipe Line Co. from sales of gas exceeded its expenses by \$10323.30, but interest to

the amount of \$29,438.95 was paid, so that there was a deficit of \$19,115.65 for the year.

SALES OF GAS BY PIPE LINE CO. DURING
YEAR ENDING JUNE 30, 1900.

Company	Cubic feet of gas	Amount paid
Boston.....	196,199,000	\$ 49,049.75
Brookline.....	366,411,000	109,923.30
Charlestown.....	65,400	19.62
Everett.....	237,800	54.44
Jamaica Plain.....	57,040,200	17,062.06

SALES FOR YEAR ENDING JUNE 30, 1901.

Bay State.....	29,619,000	\$ 6,654.75
Boston.....	564,134,000	141,033.50
Brookline.....	769,887,000	230,966.10
Charlestown.....	62,530,600	18,759.18
Dedham.....	13,123,100	4,015.67
Dorchester.....	270,966,250	81,298.88
Everett.....	564,700	141.18
Jamaica Plain.....	91,323,350	27,397.01

During the year ending June 30, 1901, the income from gas sales of the Pipe Line Co. exceeded its expenses by \$100,628.55, but from this were deducted a rebate of \$9,809.95 to the Boston company and interest to the amount of \$54,274.02, leaving \$36,544.58 that might pass to the Gas and Coke Co. as profit. The Pipe Line Co. bought of the Gas and Coke Co., in the fiscal year of 1900, 664,147,400 cubic feet of gas, for which \$123,840.10 was paid, and in the fiscal year of 1901, 1,973,731,400 cubic feet of gas, for the sum of \$270,614.65. These figures indicate that the average price was about 19 cents, in the earlier, and 14 cents in the later year, per thousand cubic feet. The volume of gas sold by the Pipe Line Co. for the year ending June 30, 1901, was 1,802,178,000 cubic feet, while the seven Boston companies owned or controlled by the Gas and Coke Co. sold in the same period 2,496,368,170 cubic feet. This seems to indicate that the Gas and Coke Co. was unable to supply the demand for gas, in spite of the fact that its projected plant appears to have been completed before the year opened.

After two years of operation by the Gas and Coke Co. it is painfully evident that it cannot even approximate to the estimate of earnings above quoted, which was supplied for the edification of investors.

How much the Gas and Coke Co. may have got for its coke and other residuals of gas production, or what its expenses of operation have been, cannot be stated. On demand of the gas commissioners, in 1900, for a record of the operations of the Gas and Coke Co., as required by statute, the company refused to give any account of its operations on the ground that it is not subject to the statute. No prosecution has followed this apparent violation of the law.

By the present year it is fair to presume that the great volume of securities issued by the Gas and Coke Co. have been largely unloaded on the public, and it is time for further developments, which are not wanting. The Boston *Transcript* of March 29, 1902, in an article headed "Boston Gas Situation," announced that Henry M. Whitney was practically out of the Boston field, and that plans for a reorganization of the Gas and Coke Co. had been under consideration since July, 1901. A little later the newspapers stated that a receiver had been appointed for the Gas and Coke Co. by Judge Colt, in a friendly suit brought by the United Coke and Gas Co. of West Virginia. In connection with this suit it was stated that there were claims against the Gas and Coke Co. for \$2,123,000, of which \$230,000 was for defaulted interest on its bonds. In a statement to stockholders and bondholders of the Gas and Coke Co., published by committees of reorganization, in the Boston *Transcript* of April 7, 1902, it was said :

The company has become burdened by a heavy floating indebtedness. It appears at no time to have been able to earn the interest on its bonds. . . . It has been forced today into the hands of a receiver. . . . It appears that upwards of six millions of dollars will probably be necessary for the rehabilitation of the company.

Circulars and advertisements, issued on June 18, 1902, over the names of Kidder, Peabody & Co. and J. & W. Seligman & Co., give a plan for the reorganization of the New England Gas and Coke Co., by which its assets are to pass to a new but similar trust to be known as the "Massachusetts Gas Companies." According to this plan the new trust is to issue \$30,000,000 more of shares, equally divided between common and preferred. This \$30,000,000 in securities is to be issued for the assets of the Gas and Coke Co., plus \$3,000,000 in cash.

It is now instructive to view in general the results of the Pipe Line charter. Existing plants were amply able, in 1896, to supply the present demand for gas in Boston at the prices that have since prevailed. Nevertheless, the same millions of fresh capital have been

invested in new plants and pipes, while the old plants have been left idle. Securities based on the Boston gas properties were far greater in face value than either the assets or earning capacities would warrant, even in 1896. In spite of this, nearly \$40,000,000 of new securities and debts have since been created, and it is now proposed to add \$30,000,000 more, that can only derive an income from Boston consumers of gas. Meantime these consumers wait in vain for the prices that were paraded before the public and the legislature by the promoters of cheap gas. Whatever the motives that influenced the legislators who voted for the Pipe Line charter, their work has proved effective, if not creditable. To criticise the able and public spirited promoters of this scheme would be impolite as well as useless. These masters of modern finance have simply done what most men stand ready to do—made a little money in a perfectly legal and easy way. As long as the law permits such uses of property, gentlemen will not be wanting to take advantage of it. As long as the investing public waits on financial miracles, they will be supplied, at a price.

Where not otherwise stated the facts of this paper are mainly taken from the annual reports of the Massachusetts gas commissioners.

ALTON D. ADAMS.

BOSTON.

NOTE: Since the above was written events have moved rapidly toward consolidation in the Boston gas field. From the wreck of the New England Gas and Coke Co., as it lay stranded in the receiver's hands, the materials for a new creation, the Massachusetts Gas Companies, were rescued. This organization is a voluntary trust in the hands of ten trustees, and issued at the start preferred shares with a par value of \$15,000,000, and common shares to an equal amount—a total of \$30,000,000 in securities. The preferred shares draw 4 per cent. per annum and no more, and both their principal and accrued dividends must be satisfied from the assets of the Massachusetts Gas Companies before the common shares are entitled to anything whatever. This issue of \$30,000,000 in securities was made in payment for all the property of the New England Gas and Coke Co. except its cash, the stock of the same company, and \$3,000,000 in cash. The mortgage held by the Central Trust Co. was satisfied and the Gas and Coke bonds retired, but some other liens of uncertain amount followed the Gas and Coke property into the hands of its new owners. Subsequently it appears that the former plant of the Gas and Coke Co. must have been conveyed to it, as the Massachusetts Gas Companies now hold a mortgage for \$8,000,000 on the property of the Gas and Coke Co.

These transactions left the Massachusetts Gas Companies in complete control of the Brookline, Dorchester, and Jamaica Plain gas companies, all three Massachusetts corporations. It now remained to acquire the stocks of the Boston, South Boston, Roxbury, and Bay State gas companies, four other Massachusetts corporations, in

order to control the Boston field. Meantime events favored this purpose. Nearly all of the stocks of the four gas companies last named have been on deposit during some years with the Mercantile Trust Co. as security for issues of about \$8,000,000 first series and \$3,000,000 second series Boston United Gas bonds issued by a Delaware corporation. Interest on these bonds has been in default for some time back, and the sale of the securities on which they were based seemed imminent. In anticipation of this event the Massachusetts Gas Companies, on January 8, 1903, voted an increase in their stock of \$20,000,000, equally divided between preferred and common shares. On February 11, 1903, Kidder, Peabody & Co., acting for the Massachusetts Gas Companies, purchased the stocks held as security for the Boston United Gas bonds, the reputed price being \$11,000,000. This sale has been temporarily held up by the courts, but the speedy union of Boston gas interests now seems certain.